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FISCAL IMPACT STATEMENT

LS 6746
BILL NUMBER: HB 1588

NOTE PREPARED: Feb 17, 2003
BILL AMENDED: Feb 17, 2003

SUBJECT: Payments in lieu of taxes.

FIRST AUTHOR: Rep. Summers
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill indicates that the exemption from property taxes granted to low income housing applies only to county, city, and town property taxes. It eliminates the authority of a political subdivision other than a county, city, or town to enter into an agreement to exempt a low income housing project from property taxes. The bill provides uniform statewide procedures for the creation and use of payments in lieu of taxes paid by a low income housing project that is granted an exemption from property taxation. The bill also extends the authority granted to Marion County to establish housing tax incentive areas to other counties.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This proposal requires the local redevelopment commission to establish the Housing Trust Fund to be administered by the department that establishes a housing program or the department, division, or agency that performs the public housing function. Revenues to the fund would include captured taxes from the allocation area, payments in lieu of taxes (PILOTS), gifts, investment income, and other funds from sources approved by the commission.

The uses of the fund, established by the Commission, would be limited to:

1) Paying fund administration expenses;
2) Providing assistance to individuals and families with income at or below 80% of the county

median income;
3) Making grants, loans, and guarantees for the development, rehabilitation, or financing of affordable housing for low income residents; and
4) Providing technical assistance to nonprofit developers of affordable housing.

At least one-half of the money allocated for production, rehabilitation, or purchase of housing must be used for units to be occupied by residents with income at or below 50% of the county median income.

The bill also creates the Low Income Housing Trust Fund Advisory Committee. This Committee, comprised of 11 members, would make recommendations to the commission regarding policies and procedures for the use of the fund and long-term sources of capital.

<u>Explanation of Local Revenues:</u> (Revised) Under current law, the governing body of a political subdivision may adopt an ordinance requiring a taxpayer to pay PILOTS if the property is tax exempt because the improvements were constructed, rehabilitated, or acquired to provide low income housing, the property is subject to an extended use agreement, and the owner agrees to make PILOTS. The PILOTS are limited to the amount that the political subdivision would have levied on the property if not for the exemption.

This bill would allow only the governing body of a municipality to adopt the ordinance. The bill would also limit the tax exemption to the taxes imposed by a county, city, and town. The PILOTS would have to be agreed upon by the property owner and the municipality and would be equal to a percentage of the taxes that would have been levied by the city and the county. These payments would be deposited into the housing trust fund created by this bill or an *affordable* housing trust fund if the housing trust fund has not been established.

The bill would allow redevelopment commissions to establish housing programs in allocation areas where
1) At least one-third of the parcels are vacant;
2) At least three-fourths of the are is residential;
3) At least one-third of the residences in the area were constructed before 1941; and
4) At least one-third of the parcels:
a) Have dwellings that are not permanently occupied;
b) Are subject to an order regarding the correction of code or safety violations;
c) Have two or more delinquent property tax payments; or
d) Are government owned.

Money in the allocation fund may be used for:
1) Construction or repair of residential units and infrastructure;
2) Property acquisition;
3) Property demolition;
4) Financial assistance to low income families for the purchase or lease of a residence, either directly or through a neighborhood redevelopment corporation; and
5) to provide property tax replacement credits in the allocation area.

This bill would also allow a local redevelopment commission to create a supplemental housing program. The commission may also establish one allocation area for the program. The area does not have to be contiguous. The property in the allocation area must consist solely of multi-family housing projects that are or were covered by a HUD contract for project based assistance or properties that have been owned at one time by a public housing agency. The base assessed value for the allocation area would equal the net assessed value of all of the land, but not the value of improvements to the land. The commission would capture the property taxes paid on the incremental assessed value in the allocation area. These taxes would be paid into the Allocation Fund and would be transferred into the Housing Trust Fund created by this bill.

The proposal would permit the Commission to grant taxpayers in the allocation area a percentage based credit on property taxes equal to the percentage of state property replacement credits in the taxing district that contains the allocation area. The credit would reduce the net proceeds available to the allocation area.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the AV exemption amount applicable to that fund.

State Agencies Affected:

Local Agencies Affected: Counties; Municipalities; Local redevelopment commissions.

Information Sources:

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